

Message Text

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PAGE 01 NEW DE 07657 291822Z

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ACTION NEA-12

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FM AMEMBASSY NEW DELHI

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CINCPAC HAWAII

C O N F I D E N T I A L NEW DELHI 7657

E.O. 11652: GDS

TAGS: MASS, IN

SUBJ: PEACE INDIGO

BEGIN SUMMARY: THE GOVERNMENT OF INDIA WISHES TO USE THE CREDITS FOR PEACE INDIGO BUT IN A SOMEWHAT DIFFERENT WAY THAN ORIGINALLY PLANNED. IT WOULD LIKE AN EXTENSION IN THE UTILIZATION AND REPAYMENT SCHEDULE FOR THE CREDITS TO TAKE INTO ACCOUNT DELAYS CAUSED BY THE ARMS EMBARGO. FINALLY IT WOULD LIKE HELP IN RENEGOTIATING COMMERCIAL CONTRACTS. THE EMBASSY HAS REPLIED THAT THE PEACE INDIGO CREDIT REMAINS VALIDEA, THAT IT WILL CONVEY TO WASHINGTON GOI REQUESTS ON MODIFICATIONS AND REPAYMENT TERMS, BUT THAT THE USG CANNOT INVOLVE ITSELF IN THE COMMERCIAL RELATIONSHIP BETWEEN THE GOI AND THE AMERICAN SUPPLIERS. END SUMMARY

1. AT THE INVITATION OF THE GOI THE CHARGE AND DRI MET WITH DEFENSE SECRETARY GOVIND NARAIN ON JUNE 28 TO DISCUSS PEACE INDIGO. DEFENSE SECRETARY NARAIN OPENED THE CONVERSATION BY REVIEWING THE HISTORY OF PEACE INDIGO AND STAR SAPPHIRE PROJECTS FOR PAST TEN YEARS. HE STATED FRUSTRATIONS THAT GOI HAD WITH PROJECTS CAUSED BY TWO PREVIOUS US EMBARGOES. HE HOPED THAT NOW THE PROJECT COULD GO FORWARD TO COMPLETION.

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PAGE 02 NEW DE 07657 291822Z

2. THE DEFENSE SECRETARY STATED THAT DURING THE TIME PEACE INDIGO

HAS BEEN DELAYED BY THE DECEMBER 1971 EMBARGO INDIAN CAPACITIES HAVE INCREASED. INDIA NOW HAS THE ABILITY TO PRODUCE LOCALLY THE MULTIPLEX EQUIPMENT WHICH WAS ORIGINALLY TO BE PURCHASED FROM US CONTRACTORS. THE GOI NOW FEELS THAT IF IT HAS THE ABILITY TO DO ITS OWN CONSULTANCY; THEREFORE THE ORIGINAL "TURN KEY" CONTRACT IS NO LONGER REQUIRED. CONSEQUENTLY GOI INTENDS TO TAKE RESPONSIBILITY FOR PRODUCTION OF THESE ITEMS AND SUPERVISION OF THE OVERALL PROJECT. THE DEFENSE SECRETARY FURTHER STATED THAT MOD WOULD LIKE TO USE US CREDITS TO PURCHASE CERTAIN COMMUNICATIONS AND ELECTRONICS EQUIPMENT NOT INCLUDED IN ITS ORIGINAL PLAN. THESE INCLUDE OVERHAUL AND SPARE PARTS FOR STAR SAPPHIRE RADAR AND MOBILE TROPO-SCATTER EQUIPMENT.

3. THE DEFENSE SECRETARY ALSO ASKED IF IT WOULD BE POSSIBLE FOR CERTAIN MODIFICATIONS TO BE MADE IN THE LOAN AGREEMENT. HE ASKED FOR A NEW TIME SCHEDULE FOR THE \$17 MILLION LOAN. UNDER THE EXISTING LOAN AGREEMENT, DISBURSEMENTS WERE TO BE COMPLETED BY DECEMBER 1974. COULD THIS SCHEDULE BE EXTENDED TO DECEMBER 1976 IN VIEW OF THE DELAY CAUSED BY EMBARGO? ALSO IN VIEW OF THE DELAY, HE ASKED FOR A MORATORIUM ON LOAN REPAYMENTS OF FOUR YEARS, AFTER WHICH THE EXISTING TEN YEAR REPAYMENT SCHEDULE WOULD BE MET.

4. FINALLY THE DEFENSE SECRETARY REQUESTED USG ASSISTANCE IN RENEGOTIATING COMMERCIAL CONTRACTS WITH AMERICAN SUPPLIERS. HE WANTED HELP TO ENSURE THAT GOI WOULD NOT BE "FLEECE" BY US CONTACTORS. MIGHT THE USG ASSIST INFORMALLY TO BRING ABOUT AN AMICABLE RESOLUTION OF COURT PROCEEDINGS NOW PENDING BETWEEN GOI AND DCA.

5. IN REPLY TO NARAIN'S PRESENTATION, THE CHARGE SAID THAT THE OFFER OF US CREDIT FOR PEACE INDIGO STILL STOOD. THE EMBASSY WOULD INFORM WASHINGTON OF THE MODIFICATIONS IN THE WAY IN WHICH THE GOI WISHED TO USE THOSE CREDITS AND INFORM MOD OF ANY REPLY WE RECEIVE. IN REGARD TO THE SECRETARY'S REQUESTS CONCERNING REPAYMENT TERMS AND ASSISTANCE IN RENEGOTIATING CONTRACTS, THE CHARGE EXPLAINED THESE WERE TWO DIFFERENT MATTERS. THE FIRST RELATED TO A GOVERNMENT-TO-GOVERNMENT AGREEMENT ON CREDIT AND WAS THEREFORE PROPERLY A MATTER FOR CONSIDERATION BETWEEN US. CONFIDENTIAL

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PAGE 03 NEW DE 07657 291822Z

THE EMBASSY WOULD PUT THE SECRETARY'S REQUEST TO WASHINGTON. THE SECOND, HOWEVER RELATED TO THE GOI'S CONTRACTURAL RELATION-

SHIP WITH PRIVATE US FIRMS. ALTHOUGH THE USG HAD A GENERAL INTEREST IN THIS BECAUSE IT IS LENDING THE MONEY, IT DID NOT WISH TO BECOME DIRECTLY INVOLVED.

6. NARAIN CONCLUDED THE CONVERSATION BY ASKING FOR ANY INFOR-

MATION WHICH WAS AVAILABLE CONCERNING THE CAPITAL STRUCTURE AND GENERAL BUSINESS HEALTH OF THE NEW REL-REEVES CORPORATION. THE CHARGE REPLIED THAT HE BELIEVED THAT THE GOI COULD OBTAIN THE BEST INFORMATION OF THIS TYPE BY ASKING ITS EMBASSY IN WASHINGTON TO MAKE INQUIRIES. NARAIN SAID THAT THIS WOULD BE DONE, BUT THE GOI WOULD ALSO APPRECIATE WHATEVER THE EMBASSY COULD DO. THE CHARGE AGREED TO INQUIRE OF WASHINGTON ON THIS QUESTION AS WELL.

7. ACTION REQUESTED: WE RECOGNIZE THAT ANSWERS TO ALL OF NARAIN'S QUESTIONS MAY NOT BE POSSIBLE TO PROVIDE IMMEDIATELY, BUT WE WOULD LIKE TO BE ABLE TO GET BACK TO HIM WITH AT LEAST A PARTIAL REPORT WITHIN THE NEXT SEVERAL DAYS. WE HOPE THAT IT WILL BE POSSIBLE TO TAKE INTO ACCOUNT IN SOME WAY THE EFFECT OF THE DELAYS CAUSED BY THE EMBARGO IN RESPONDING TO THE QUESTIONS PUT BY THE DEFENSE SECRETARY.
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